



Ms. Janet McCabe
Assistant Commissioner
Office of Air Management
Indiana Department of Environmental Management
P. O. Box 6015
100 North Senate Ave
Indianapolis, IN 46206

October 31, 2000

Dear Ms. McCabe:

Re: Development of NO_x Rules at 326 IAC 10-4

American Electric Power (**AEP**) appreciates this opportunity to comment on the current draft of rule language prior to its submittal to the Legislative Services Agency (LSA) for publication in the Indiana Register. Our comments at this time are limited to three issues that we feel **IDEM** should address in the rule prior to its submittal to LSA for publication. **AEP** further endorses and supports the comments submitted by the Indiana Electric Utility Air Work Group (IEUAWG) and encourages **IDEM** to incorporate those comments into the rule prior to publication.

NO_x SIP COMPLIANCE DATE

AEP submits that meeting a 0.15 **lbs./mmBtu NO_x** reduction target for **EGUs** will require extensive installation of Selective Catalytic Reduction (SCR) technology on a substantial number of coal-fired power plants in the **19-state** control region. Depending on boiler design and retrofit difficulty, SCR installation can result in extended unit outages of a few weeks to a few months. The industry is already struggling to find sufficient skilled labor to perform routine maintenance projects, and is concerned about its ability to attract the hundreds of additional workers required to build SCR systems. In addition, there could be constraints in the supply chain for basic construction materials, such as steel, cranes and catalysts (please refer to the October 30, 2000, IEUAWG comment package for additional details outlining the material and labor constraints that the IEUAWG member companies face).

The above-referenced constraints are likely to be further exacerbated in Indiana because of the likely need to install substantially more **SCRs** than the number originally projected by EPA. In order to reduce the risk of the material, labor and electric supply disruption constraints that may result during the period of unit outages to install SCR systems, AEP supports the establishment of an alternative compliance date in the **NO_x SIP** rule. Specifically, we encourage **IDEM** to establish a **NO_x** allowance allocation for electric generating units consistent with a **NO_x** emission rate of 0.15 **lbs./mmBtu** to be achieved by May 1, 2005, with appropriate growth rate adjustments to reflect accurate estimates of future electricity consumption.

With a more reasonable compliance deadline of May 1, 2005, electric utilities will be able to preserve reliable electric supply and stable electric prices unlike that which has recently been experienced in areas along the east and west coasts. In addition, we encourage IDEM to provide an alternative compliance path with incentives for the installation of innovative and/or clean coal technologies that result in multi pollutant controls (see details below).

ALTERNATIVE COMPLIANCE PROGRAM

As IDEM is aware, AEP is encouraging IDEM to take advantage of an opportunity under the NOx SIP call rule to promote a plan that fosters technological innovation and promotes multi-pollutant controls. Including such a plan within the SIP rulemaking can cement a foundation upon which to foster environmental controls that are more economically efficient and environmentally effective than what may otherwise be achieved with conventional control technologies. We therefore request that IDEM include provisions in the rule that outline an alternative compliance plan that permits utilities, on a unit specific basis, to apply for a compliance date extension up to May 1, 2008, in exchange for a commitment to install innovative and/or multi-pollutant control technology or to undertake projects that result in cleaner, more efficient fossil fuel generation.

In exchange, any unit that has received approval for an alternative compliance path must commit to meet established emission reduction targets by no later than May 1, 2008, even if the technology/project fails, by using conventional technology. The May 1, 2008 timeline is suggested because of the time that is needed to complete the development and demonstration of innovative technology and facilitate widespread commercial deployment.

To foster such a program in Indiana, AEP recommends that IDEM add a new 326 IAC 10416 to contain the provisions for this program. As a further incentive for utilities that elect to install multi-pollutant controls as part of an alternative compliance program, we request that IDEM enlarge the compliance supplement pool by 20% (i.e. up to 3982 tons). These credits would then be available for allocation on an annual basis for ozone control periods in 2004, 2005, 2006, and 2007 for any unit that is operating under an approved alternative compliance plan.

Our suggested language for the Alternative Compliance Program follows:

326 IAC 10-4-16, Alternative Compliance Program

Sec. 16. (a) The owners or operators of any NOx Budget unit may request approval of an alternative compliance program in accordance with the following requirements:

(1) The NOx authorized account representative of a NOx Budget unit may submit to the Commissioner a request for an alternative compliance program for that unit based on the use of innovative technology or any other methodology that achieves the requirements of this section.

(A) The alternative compliance program request must be submitted on or before April 1, 2003.

(b) A request for approval of an alternative compliance program must contain the following information:

- (1) A detailed description of the technology or methodology to be employed including an explanation of the aspects of the technology or methodology that make it innovative or allow it to achieve control of multiple pollutants.**
- (2) A timeline for the development and deployment of the technology or methodology including milestones for completing engineering, design, development, testing, installation and operation.**
- (3) A description of the pollutants that will be removed by the technology or methodology and an estimate of the expected emission reductions for each pollutant.**

(c) Should the Commissioner approve such a plan, the Commissioner shall determine the following conditions which shall be set forth as a federally enforceable permit condition:

- (1) With respect to NO_x, the date by which the unit will be subject to the requirements under 326 IAC 10-4-9 which may not be later than May 1, 2008.**
- (2) With respect to pollutants other than NO_x, the emission limitations or other conditions applicable to that unit and the date by which the unit is obligated to achieve compliance with those emission limitations or conditions, which may not be later than May 1, 2008.**
- (3) A unit which is subject to an alternative compliance program approved in accordance with this section shall be obligated to achieve compliance with any conditions imposed pursuant to this section even if the alternative technology or methodology is incapable of achieving such conditions.**

(d) A unit which is subject to an alternative compliance program approved in accordance with this rule shall only be exempt from NO_x reduction requirements of this rule including the provisions of 326 IAC 10-4-9. During any period of exemption of a unit in accordance with this section, the Commissioner will deduct and retire any NO_x allowance that is recorded under 326 IAC 10-4-9 for that unit.

(e) As an incentive for the submittal of requests for an alternative compliance program under this section, an additional pool of allowances is created which the Commissioner may allocate to any unit that has an approved alternative compliance program under this section as follows:

- (1) The total amount of NO_x allowances that the Commissioner is authorized to allocate to all units which have approved alternative compliance programs shall not exceed 3982 tons per year for ozone control periods 2004, 2005, 2006, and 2007.**
- (2) The Commissioner shall determine the amount of NO_x allowances to be allocated to a unit with an approved alternative compliance program based upon the nature and quantity of pollutants removed and the need to encourage the development and deployment of innovative technologies or other methodologies that removal multiple pollutants.**
- (3) NO_x allowances allocated by the Commissioner under this section shall be recorded in the general account for that owner or operator in the same manner as provided for in 326 IAC 10-4-15, except that allowances allocated under this provision shall be deducted and retired if not used for compliance purposes for ozone control periods in 2004, 2005, 2006, and 2007.**

(f) The Commissioner shall approve or disapprove a request for approval of an alternative compliance program under this section within six months of the date of filing of such a request with the Commissioner.

326 IAC 10-4-1(b)(3)(D) On Site Record Retention

As AEP and others have repeatedly pointed out in both formal and informal comments, it is unreasonable and in many cases unsafe to require that operating records be maintained on site for five years. IDEM has recognized this in the proceedings under Rulemaking #98-235, the State NO_x Rule proposed as revisions to 326 IAC 10-1, and adding 326 IAC 10-0.5, and 326 IAC 10-2 and will allow the records to be maintained off site or at a central location for those operators with multiple sites providing that any such record requested be made expeditiously available. We encourage IDEM to change this provision to add the change made to 326 IAC 10-2-5(a) which follows:

(2) The owner or operator of multiple sources may maintain records at a central location.

Ms. Janet McCabe
October 31, 2000
Page 4

If you have any questions on these comments, please contact D. J. Long of my staff at 614-223-1245.

Sincerely,

A handwritten signature in black ink, appearing to read "M. R. Robida". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

M. R. Robida
Manager - Air Quality Services

cc: D. J. Long
3. M. Brown